

DOCKET SECTION

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS DEGEN TO INTERROGATORIES OF  
UNITED PARCEL SERVICE  
(UPS/USPS-T12-1-8)

The United States Postal Service hereby provides responses of witness Degen to the following interrogatories of United Parcel Service: UPS/USPS-T12-1-8, filed on September 17, 1997.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
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October 1, 1997

Response of United States Postal Service Witness Degen  
to Interrogatories of United Parcel Service

UPS/USPS-T12-1. Please refer to Table 4 on page 15 of your direct testimony and provide the exact source in USPS-T-14, Table 1, or derivation from sources in USPS-T-14, Table 1, or any other source(s) if necessary, for each of the variabilities in Table 4.

UPS/USPS-T12-1 Response.

Attachment 1 to this response provides the requested information.

FUNCTION 4

31	LDC 41 - Unit Distribution - Automated	LD41	91.0%	USPS-T-14, Table 20	Average of OCR and BCS variables, weighted by cost pool costs
32	LDC 42 - Unit Distribution - Mechanized	LD42	91.0%	USPS-T-14, Table 20	Average of LSM and FSM variables, weighted by cost pool costs
33	LDC 43 - Unit Distribution - Manual	LD43	82.0%	USPS-T-14, Table 20	Average of mail and mail variables, weighted by cost pool costs
34	LDC 44 - Post-Office Box Distribution	LD44	82.0%	USPS-T-14, Table 20	Average of mail and mail variables, weighted by cost pool costs
35	LDC 48 - Customer Service / Express	LD48 Exp	45.0%	USPS-T-14, Table 20	Priority variability (rounded) pool costs
36	LDC 48 - Customer Service / Admin	LD48 Adm	0.0%		Assumed to have 0% volume variability
37	LDC 48 - Customer Service / Spec. Serv.	LD48 SPS	15.3%	USPS-T-14, Table 20	Registry variability
37a	LDC 48 - Customer Service / Other	LD48 Oth	15.3%	USPS-T-14, Table 20	Registry variability
38	LDC 49 - Computerized Forwarding Syst	LD49	91.0%	USPS-T-14, Table 20	Average of LSM and FSM variables, weighted by cost pool costs
39	LDC 79 - Mailing Reg' & Bus. Mail Entry	LD79	73.0%	USPS-T-14, Table 20	MODS Platform variability (rounded) pool costs
<b>BMCs</b>					
40	Platform	Platform	53.0%	USPS-T-14, Table 10	Average of primary and secondary PSM variables Average of IPP and Sack Opening ('115') variables
41	Allied Labor & all other Mail Processing	Allied	54.0%	USPS-T-14, p. 66	
42	Parcel Sorting Machine	PSM	90.0%	USPS-T-14, Table 9	
43	Sack Sorting Machine	SSM	99.0%	USPS-T-14, Table 9	
44	SPBS & Irregular Parcels (IPP & '115)	SPB	73.0%	USPS-T-14, Table 9	
45	Non-Machinable Outside (NMO)	NMO	67.0%	USPS-T-14, Table 9	
46	OTHER		78.6%	USPS-T-14, p. 90	

MODS 1 & 2		FUNCTION 1		Short Name	Variability	Source	Notes
1	Automated Equipment	BCS, BCS on OCR	ocr	bcs	94.5%	USPS-T-14, Table 7	
2	Mechanized, Letters & Flats	SPFSM, FSM & FSM/BCR	ocr	ocr	78.6%	USPS-T-14, Table 7	
3	SPFSM, FSM & FSM/BCR	SPFSM, FSM & SPLSM W/BCR	ocr	ocr	91.8%	USPS-T-14, Table 7	
4	LSM, MPLSM & SPLSM W/BCR	LSM, MPLSM & SPLSM W/BCR	ocr	ocr	90.5%	USPS-T-14, Table 7	
5	Mechanical Sort - Sack Outside	Mechanized, Other	1SackS_m	1SackS_m	99.1%	USPS-T-14, Table 19	
6	Mechanized Parcels	Mechanized, Other	1SackS_m	1SackS_m	90.2%	USPS-T-14, Table 19	
7	SPBS - Non Priority	SPBS - Non Priority	SPBS_Oth	SPBS_Oth	46.9%	USPS-T-14, Table 7	
8	SPBS - Priority	SPBS - Priority	SPBS_Pno	SPBS_Pno	80.0%	USPS-T-14, Table 7	
9	Manual Flats	Manual Operations	manf	manf	86.6%	USPS-T-14, Table 7	
10	Manual Letters	Manual Letters	manl	manl	79.7%	USPS-T-14, Table 7	
11	Manual Parcels	Manual Letters	manp	manp	39.5%	USPS-T-14, Table 7	
12	Manual Priority	Manual Priority	Priority	Priority	44.8%	USPS-T-14, Table 7	
13	LDC 15 - RBCS	LDC 15 - RBCS	LD15	LD15	100.3%	USPS-T-14, Table 11	
14	Air Contract DCS and Incoming	Allied Operations	1Scan	1Scan	82.9%	USPS-T-14, Table 19	
15	Bulk Presort	Bulk Presort	1Bulk pr	1Bulk pr	72.6%	USPS-T-14, Table 19	
16	Cancellation & Mail Preparation - metered	Cancellation & Mail Preparation - metered	1CanclMPP	1CanclMPP	65.4%	USPS-T-14, Table 7	
17	Manual Sort - Sack Outside	Manual Sort - Sack Outside	1SackS_h	1SackS_h	52.6%	USPS-T-14, Table 19	
18	Opening Unit - Preferred Mail	Opening Unit - Preferred Mail	1OPref	1OPref	72.0%	USPS-T-14, Table 8	
19	Opening Unit - BBM	Opening Unit - BBM	1OPBuk	1OPBuk	74.1%	USPS-T-14, Table 8	
20	Platform	Platform	1Platform	1Platform	72.6%	USPS-T-14, Table 8	
21	Pouching Operations	Pouching Operations	1Pouching	1Pouching	82.9%	USPS-T-14, Table 8	
22	Business Reply / Postage Due	Other Operations	BusReply	BusReply	79.7%	USPS-T-14, Table 19	
23	Damaged Parcel Rewrap	Damaged Parcel Rewrap	1EEqmt	1EEqmt	78.6%	USPS-T-14, p. 87; Exhibit 14B	
24	Empty Equipment	Empty Equipment	1EEqmt	1EEqmt	78.6%	USPS-T-14, p. 87; Exhibit 14B	
25	Express Mail	Express Mail	Express	Express	44.8%	USPS-T-14, Table 19	
26	Mailgram	Mailgram	Mailgram	Mailgram	79.7%	USPS-T-14, Table 19	
27	Mail Processing Support	Mail Processing Support	1Support	1Support	78.6%	USPS-T-14, p. 87; Exhibit 14B	
28	Miscellaneous Activity	Miscellaneous Activity	1Misc	1Misc	78.6%	USPS-T-14, p. 87; Exhibit 14B	
29	Registry	Registry	Registry	Registry	15.3%	USPS-T-14, Table 12	
30	International	International	Int	Int	78.6%	USPS-T-14, Exhibit 14B	Receives system variability
BMC Platform variability							
Manl variability							
Priority variability							
Manl variability							
Average of 1OPref and 1OPBuk variables, weighted by cost pool costs							
1Pouching variability							

Response of United States Postal Service Witness Degen  
to Interrogatories of United Parcel Service

UPS/USPS-T12-2. Please confirm that changing the variable "VARB" in the SAS program MOD4DIST.SAS in LR-H-218 to equal 1.00 for each of the values of the variable "POOL" will result in 100 percent volume variable costs for MODS cost pools. If not confirmed, please explain.

UPS/USPS-T12-2 Response.

Confirmed.

Response of United States Postal Service Witness Degen  
to Interrogatories of United Parcel Service

UPS/USPS-T12-3. Please confirm that changing the variable "VARB" in the SAS program MOD4DIST.SAS in LR-H-218 to equal X.XX for each of the values of the variable "POOL" will result in X.XX percent volume variable costs for MODS cost pools. If not confirmed, please explain.

UPS/USPS-T12-3 Response.

Not confirmed. If the VARB variable is set to X.XX, the variability factor is 100X.XX percent.

Response of United States Postal Service Witness Degen  
to Interrogatories of United Parcel Service

UPS/USPS-T12-4. Please confirm that changing the variable "VARB" in the SAS program BMC4.SAS in LR-H-218 to equal 1.00 for each of the values of the variable "POOL" will result in 100 percent volume variable costs for BMC cost pools. If not confirmed, please explain.

UPS/USPS-T12-4 Response.

Confirmed.

Response of United States Postal Service Witness Degen  
to Interrogatories of United Parcel Service

UPS/USPS-T12-5. Please confirm that changing the variable "VARB" in the SAS program BMC4.SAS in LR-H-218 to equal X.XX for each of the values of the variable "POOL" will result in X.XX percent volume variable costs for BMC cost pools. If not confirmed, please explain.

UPS/USPS-T12-5 Response.

Not confirmed. Please see my response to UPS/USPS-T12-3 for an explanation.



Response of United States Postal Service Witness Degen  
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UPS/USPS-T12-6. Please confirm that changing the line "VCOST = DOLLAR\*GFY\*.786" to "VCOSTS = DOLLAR\*GFY" in the SAS program NONMOD4.SAS in LR-H-218 will result in 100 percent volume variable costs for non-MODS cost pools. If not confirmed, please explain.

UPS/USPS-T12-6 Response.

Confirmed.

Response of United States Postal Service Witness Degen  
to Interrogatories of United Parcel Service

UPS/USPS-T12-7. Please confirm that changing the line "VCOSTS = DOLLAR\*GFY\*.786" to 'VCOSTS = DOLLAR\*GFY\*X.XX" in the SAS program NONMOD4.SAS in LR-H-218 will result in X.XX percent volume variable costs for non-MODS cost pools. If not confirmed, please explain.

UPS/USPS-T12-7 Response.

Not confirmed. Please see my response to UPS/USPS-T12-3 for an explanation.

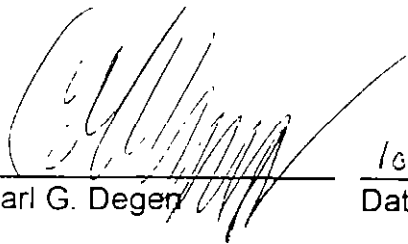
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UPS/USPS-T12-8. Are there BMCs that operate using MODS operation codes rather than PIRS operation codes? If your answer is other than an unqualified no, please indicate how these facilities are handled in LR-H-146/LR-H-218.

UPS/USPS-T12-8 Response.

It is my understanding that some BMCs "borrow" MODS operation numbers to classify certain activities in PIRS. Please note that the BMC cost pool amounts and associated tally sets are based on the sampled activities recorded in IOCS questions 18 and 19 (but not question 18a), which are designed to correspond to the BMC operation groups defined for witness Bradley's variability analysis. As a result, the situation stated in the question would not affect the programs in LR-H-146/LR-H-218.

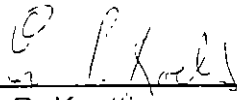
I, Carl G. Degen, declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information, and belief.

  
\_\_\_\_\_  
Carl G. Degen

10-1-97  
Date

### CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

  
\_\_\_\_\_  
Eric P. Koetting

475 L'Enfant Plaza West, S.W.  
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October 1, 1997